

## CMS Actuary Report Indicates Health Care Reform Slows the Growth of National Health Care Spending, Bolsters Medicare

### OVER TIME, HEALTH CARE COSTS GROW AT A MORE SUSTAINABLE RATE

According to the Congressional Budget Office (CBO) Medicare spending is projected to be 3.5 percent of the gross domestic product (GDP) in 2009 and grow to 9.5 percent of GDP in 2050. The skyrocketing rate of growth in health care costs is driving Medicare spending projections and is unsustainable for the federal government. And the rate of growth of health care costs is unsustainable for families as well. According to a Kaiser Family Foundation study, about half of Americans say the amount they pay for family care has gone up in the past year and slightly more than half say their household has cut back on health care due to cost concerns in the past 12 months. The rate of growth of health care spending affects everyone. If Congress doesn't act to slow the growth of health care costs, America's economy simply won't be able to keep up. The CBO has already confirmed that federal health care spending on programs like Medicare will grow at a more sustainable rate under health care reform than it would if Congress does not act. But CBO did not estimate how national health spending – the sum of public and private spending on health care – will be affected by health care reform. A new report by the Chief Actuary at the Center for Medicare and Medicaid Services (CMS) provides an independent, non-partisan analysis of how this bill affects the bottom line for American families and businesses.

The CMS Actuary found that, as a result of the Senate health care reform bill, the growth rate of **national** health care costs will begin to decline as cost-saving reforms kick in. The Actuary concludes that together the provisions in the bill, **“would have a significant downward impact on future health care cost growth rates.”** [12/10/09, page 19]

Though the number of dollars spent on health care increases slightly under this bill, as millions of Americans gain access to coverage, that new federal spending is fully paid for. The CBO has verified that the bill reduces the federal deficit by \$130 billion in the first ten years and approximately one-quarter percent of GDP in the second ten years. The CMS Actuary report indicates that this legislation covers an additional 33 million people – or 10 percent of the population – with only a 0.7 percent increase in spending – a change of only 0.1 percent of GDP in 2019. Although coverage for 33 million Americans has a slight upward effect on national health care spending in the short term, the Actuary's report indicates that the **rate of growth of national health care spending will decrease** under the Senate bill compared to what it would be if Congress doesn't act. That means everyone's costs are lower under health reform – for families, businesses and the federal government. The table below uses data provided in table 5 of the Actuary's report to illustrate that this legislation does slow the rate of growth of spending. That's what health care experts call “bending the cost curve.”

After 2016, even with insuring more people, **national health expenditures are projected to increase at a slower rate in each year under the Senate bill compared to current law.** In 2019, for example, health expenditures are projected to rise by 7.2 percent without health reform, but will rise by 6.9 percent under the proposal, according to the Actuary's report. Over time, this will produce real savings for families, businesses and the government.

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Current Law:</b>										
National Health Expenditures (NHE)	2632.2	2778.7	2944.4	3125.4	3325.5	3551.5	3798.5	4067.7	4358.8	4670.6
NHE as a percent of Gross Domestic Product (GDP)	17.80%	17.90%	18.10%	18.30%	18.60%	19.00%	19.40%	19.80%	20.30%	20.80%
<b>Rate of growth of NHE</b>		<b>5.6%</b>	<b>6.0%</b>	<b>6.1%</b>	<b>6.4%</b>	<b>6.8%</b>	<b>7.0%</b>	<b>7.1%</b>	<b>7.2%</b>	<b>7.2%</b>
<b>Senate Bill:</b>										
National Health Expenditures (NHE)	2652.8	2789	2937	3094.1	3352.9	3605.8	3859.6	4112.9	4389.9	4693.5
NHE as a percent of Gross Domestic Product (GDP)	17.90%	18.00%	18.00%	18.10%	18.70%	19.20%	19.70%	20.00%	20.40%	20.90%
<b>Rate of growth of NHE</b>		<b>5.1%</b>	<b>5.3%</b>	<b>5.3%</b>	<b>8.4%</b>	<b>7.5%</b>	<b>7.0%</b>	<b>6.6%</b>	<b>6.7%</b>	<b>6.9%</b>

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### **THE CMS ACTUARY REPORT INDICATES HEALTH CARE REFORM WILL LOWER SENIOR'S MEDICARE COSTS.**

According to the Congressional Budget Office (CBO) federal outlays for Medicare and Medicaid have increased from one percent of GDP in 1970 to more than five percent in 2009 and they are expected to continue growing. According to CBO, most of that increase will result from rising costs per capita, rather than from the aging of the population. Clearly, the rate of growth of health care costs is unsustainable. And as costs grow for the federal government, costs will increase for seniors as well. To turn this trend around, the Patient Protection and Affordable Care Act slows the growth of Medicare spending and lowers premiums and out-of-pocket costs for seniors.

The independent, non-partisan Actuary at the Centers for Medicare and Medicaid Services (CMS) reported that **“there would be a steadily increased savings to Part B and associated reductions in the Part B premium and coinsurance averages. Similarly, the Medicare Part A savings under the PPACA [Patient Protection and Affordable Care Act] would result in lower beneficiary coinsurance payments for inpatient hospital and skilled nursing care.”**

- That means, every month seniors would see a **reduction in their Medicare premiums** as a result of this legislation.
- In 2019, Medicare premiums would be reduced by \$12.50 per month – which translates to a savings for seniors of \$300 per couple per year.
- And, Medicare coinsurance payments, like doctor's office co-pays, will fall as well – by \$370 per couple per year by 2019.
- That's a total annual savings of nearly \$700 for seniors.

### **THE CMS ACTUARY REPORT SAYS THE MEDICARE TRUST FUND WILL BE EXTENDED FOR NEARLY A DECADE.**

Reducing waste and inefficiency in the Medicare programs means it will be less at risk of going broke. And extending the life of the Medicare trust fund means program will be more sustainable for generations to come. If Congress does not act, the Medicare trust fund will go bankrupt in 2017 – just seven years from now.

The CMS Actuary estimates that the Patient Protection and Affordable Care Act would **“postpone the exhaustion of trust fund assets by 9 years – that is, from 2017 under current law, to 2026 under the proposed legislation.”**

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